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Better Marketing



Division of Marketing and Marketing Agreements

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The Marketing Agreement Act of 1937

The Marketing Agreement Act of 1937, approved by the President June 3, enables continued operation of marketing programs which directly affect more than 1,000,000 producers of fruits, vegetables, nuts, and dairy products in all sections of the country.

The Marketing Agreement Act reenacts and amends the marketing agreement and order provisions of the Agricultural Adjustment Act. The measure, provided for in H. R. 5722, was passed by the House April 19 and by the Senate May 24.

"It is hereby declared that the disruption of the orderly exchange of commodities in interstate commerce impairs the purchasing power of farmers and destroys the value of agricultural assets which support the national credit structure and that these conditions affect transactions in agricultural commodities with a national public interest, and burden and obstruct the normal channels of interstate commerce."

With this new declaration of policy and other wording contained in its text, the Marketing Agreement Act emphasizes its prime purpose, that of regulating interstate commerce in agricultural commodities. It not only provides for the continuance of marketing agreement programs now in effect, but also clarifies the legal status of the provisions of law under which these marketing agreement programs may be developed.

Clarifies Legal Question

Since the United States Supreme Court's decision in the Hoosac Mills case on January 6, 1936, certain district courts have interpreted that decision, which involved production control and processing taxes, as also rendering invalid the marketing agreement and order provisions of the Agricultural Adjustment Act, which were designed to improve the purchasing power of farmers by encouraging orderly marketing through regulation of interstate commerce. This interpretation by certain of the lower courts rendered temporarily ineffective marketing agreement programs in districts where such interpretations were made. Although the Agricultural Adjustment Act contains a clause providing for separability, these lower courts maintained that the Hoosac Mills decision invalidated the entire act, including regulation under marketing agreement programs.

The enactment of the Agricultural Marketing Agreement Act of 1937 removes the technical question of separability upon which these adverse decisions

have rested. It enables producers to obtain the benefits of the marketing agreement programs without waiting until cases involving the question of whether the Hoosac Mills decision affected the marketing agreement programs are acted upon by the Supreme Court.

Agreements and Orders

Under the law, the marketing agreement and order comprise component parts of a single program—a marketing agreement program—which is designed to control or regulate certain phases of interstate commerce in an agricultural commodity for the particular region or marketing area for which the program is developed. The marketing agreement is a voluntary contract between handlers of a particular commodity and the Secretary of Agriculture. In those instances where it is desirable to regulate

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California Plum Shipments Being Made Under Federal Regulations

California's new crop of plums is being shipped to out-of-State markets in accordance with regulations issued under the provisions of the industry's marketing agreement program.

The first regulations enabling growers and handlers to adjust the grade and size of plums shipped more nearly in keeping with market requirements were announced for plums of the Beauty variety. The regulations seek to eliminate the price-depressing influence which immature and low-grade fruit has on returns to growers. Issuance of the regulations is provided for in a marketing agreement and order developed by growers and shippers under the provisions of the Agricultural Adjustment Act. The marketing agreement program has been in effect during the last three seasons for plums, and some other deciduous tree fruits grown in California.

The regulations governing out-of-State shipments of plums were recommended by the committee in charge of administering the marketing agreement program insofar as plums are concerned. The first regulations governing the grade and size of plums to be shipped became effective May 20.

CROP GROWERS BENEFIT FROM MARKETING PACTS

Marketing Agreement Programs for Products Other Than Milk Directly Affect Over 121,000 Producers

During 1936, marketing agreement programs for commodities other than milk and its products directly affected over 121,000 farmers in more than a dozen States. The value of products produced by these growers approximated \$130,000,000.

In addition to being of direct aid to farmers in producing areas for which they are in effect, marketing agreement programs have been of indirect benefit to farmers in competing areas and to producers of competing crops. These benefits resulted from the effects which regulations governing the orderly shipment of commodities under marketing agreement programs had on markets in general.

Programs in Effect

Marketing agreement programs for such commodities other than milk and its products are in effect as follows: (1) Oranges and grapefruit grown in California and Arizona; (2) lettuce, peas, and cauliflower grown in western Washington; (3) a national marketing agreement program for handlers of package bees and queens; (4) shade-grown cigar tobacco produced in the Connecticut Valley; (5) watermelons grown in Florida, Georgia, South Carolina, and North Carolina; (6) peas and cauliflower grown in Colorado; (7) grapefruit, oranges, and tangerines grown in Florida; (8) onions grown in Utah; (9) Bartlett and fall and winter pears, plums, and Elberta peaches grown in California; and (10) a marketing agreement program for walnuts grown in Oregon, Washington, and California.

The marketing agreement program for oranges and grapefruit produced in the States of California and Arizona has been in operation since 1933 and directly affects approximately 24,000 growers. The farm value of the crop produced in that area during the 1935-36 marketing season approximated \$58,300,000.

The marketing agreement program for oranges, grapefruit, and tangerines grown in Florida directly affects approximately 33,000 growers whose crop during the 1935-36 marketing season had a farm value of \$39,255,000.

Indirect benefits resulting from the citrus marketing agreement programs in Florida and in the California-Arizona area accrued to growers of citrus fruits

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F. R. WILCOX, *Director*

BETTER MARKETING is issued as a means of communicating to workers and cooperators of the Division of Marketing and Marketing Agreements information relative to the Division's activities under the Agricultural Adjustment Act and related Acts

UNITED STATES
DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D. C.

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AGREEMENT ACT

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all of the commodity in the marketing area, the Secretary of Agriculture is authorized to issue orders. The order is in the nature of a regulation making the provisions of the agreement applicable to all handlers of the commodity regardless of whether the agreement is signed by all handlers.

Fruits and Vegetables

The Marketing Agreement Act makes no changes in those provisions of the Agricultural Adjustment Act which relate to marketing agreement programs for fruits, vegetables, and nuts. Provisions of the act make it possible for programs to include regulations: (1) Controlling the rate of shipments from the shipping area to out-of-State markets by limiting the total volume permitted to be shipped during a specified shipping period; (2) prohibiting the shipments into interstate commerce of undesirable grades and sizes of the commodity handled; and (3) in cases of unusual surpluses limiting the total quantity of the commodity shipped into interstate commerce and, in some cases, provide for diverting the surplus into other market outlets. Through these methods of regulating interstate shipments it is possible to establish and maintain orderly marketing conditions for agricultural commodities and thereby increase the returns to producers.

Dairy Products

For milk and dairy products, the Marketing Agreement Act continues and clarifies the statement of provisions which may be included in a marketing agreement and order. The principal provisions relate: (1) To the classification of milk according to its use; (2) the establishment, or method of establishment, of a schedule of minimum prices to be paid by handlers to producers in accordance with the use classification, with certain adjustments for quality and location; (3) payment of uniform prices to producers under pool plans; and (4) to supplying market information to producers and to authorizing the verification of weights, sampling, and

testing of milk purchased from producers in order to verify the accuracy of payments to producers.

Milk is the only agricultural commodity for which producer prices are permitted to be fixed, and the Secretary of Agriculture is required, under the Marketing Agreement Act, to use the purchasing power of milk as a guide in the issuance of orders for marketing agreements that fix milk prices.

The Marketing Agreement Act requires the Secretary, in issuing such an order or marketing agreement, to ascertain the prices equivalent in purchasing power to prices of milk in the base period. If he finds these ascertained prices are not reasonable in view of local supplies of available feed and other economic conditions affecting milk supply and demand in the marketing area concerned, the Secretary shall fix such prices as will reflect these conditions, insure a sufficient quantity of pure and wholesome milk, and be in the public interest. The Secretary is to use the same standard in adjusting prices as is used in the initial fixing of prices in any marketing area.

Arbitration and Mediation

The Marketing Agreement Act includes an additional provision for arbitration and mediation in particular milk markets under certain conditions.

The mediation and arbitration provision of the Marketing Agreement Act authorizes the Secretary of Agriculture, upon the request of cooperative organizations of milk producers, to mediate and, with the approval of all parties, to arbitrate disputes between the cooperatives and the handlers of milk in a particular market. Only those matters may be arbitrated which involve terms and conditions that might be included in orders under the orders provisions of the act. As authorized, mediation and arbitration are designed to be additional methods of serving the dairy industry rather than a substitute for marketing agreements and orders.

The Marketing Agreement Act includes a definition of interstate and foreign commerce which is essentially the same as that contained in the Grain Futures Act of 1922 and the Commodity Exchange Act of 1936.

Producer Approval

In connection with putting marketing agreement programs into effect, the act continues the requirements as to signature of an agreement by handlers and determination by the Secretary of producers' approval of the issuance of orders. In issuing orders with or without agreements, the Secretary must determine that issuance of the order is approved or favored by two-thirds of the producers, or by producers representing two-thirds of the volume of production (in the case of California citrus, 80 percent approval is required). In this connection, the Marketing Agreement Act authorizes a referendum among producers to ascertain their sentiment. Under this additional provision, if the results of the referendum disclose that the percentage of those producers participating in the referendum who favor the order is equal to or greater than the required percentage, then the approval requirement is met.

Study of Texas Tomato Industry Deals With Marketing Problems

A study of the marketing problems of the tomato industry in the lower Rio Grande Valley of Texas has been started by the General Crops Section in order to assist growers and shippers of tomatoes produced in that area in improving marketing conditions.

Three major objectives are involved in the study. These are: (1) To investigate the historical and current viewpoints of the marketing of tomatoes to determine the nature of the marketing problems and possible methods of improving market conditions; (2) to obtain market information and reports in greater detail than has been available to growers and shippers in past seasons; and (3) to assist the tomato industry in the lower Rio Grande Valley in obtaining wider and more rapid dissemination of market information among growers and shippers during the current shipping season.

Cooperating with the General Crops Section in the study are the Bureau of Agricultural Economics, the Consumers' Counsel of the Agricultural Adjustment Administration, the Federal-State inspection service, the Texas Agricultural Extension Service, and representatives of tomato growers and shippers.

Marketing Information

In connection with this study, shipments of individual crops of Texas tomatoes are being traced from the packing house to the retailer in the cities where representatives of the General Crops Section and the Consumers' Counsel are stationed. Through this procedure, there is sought to obtain information as to the factors responsible for variations in terminal market prices and which should be helpful in an analysis of marketing costs and processes. Information relating to production, sale, marketing, and other economic factors of the current tomato crop is being obtained from growers and handlers.

Representatives of the General Crops Section stationed at wholesale markets in Chicago and in New York City are furnishing to representatives in Texas detailed information as to supplies and prices. This information is in addition to that regularly furnished by the Market News Service of the Bureau of Agricultural Economics.

The Texas tomato industry had planned on having a marketing agreement program in operation during the current season to assist in the orderly marketing of the crop. A public hearing on a proposed program was held during

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The first marketing agreement programs were made available to American agriculture under the provisions of the Agricultural Adjustment Act, approved May 12, 1933. At that time the act authorized the issuance of marketing agreements and licenses. The amendments to the Agricultural Adjustment Act, approved August 24, 1935, provided for the issuance of marketing agreements and orders, and spelled out the various provisions which could be incorporated in a marketing agreement program.

FEDERAL SURPLUS COMMODITIES CORPORATION ISSUES REPORT ON OPERATIONS DURING 1936

Surplus Agricultural Commodities Distributed to States for Relief Use Involved 39 Different Products; Purchases of Surpluses Designed To Bring Direct Benefits to Producers

Price-depressing surpluses in 39 different agricultural commodities obtained in connection with surplus removal programs were distributed last year by the Federal Surplus Commodities Corporation to the States for relief use, according to the Corporation's annual report for the calendar year 1936.

Distribution of commodities involved more than 896,000,000 pounds of foodstuffs which State relief agencies distributed to approximately 2,150,000 families.

The surplus removal programs, through which the commodities were obtained, sought to increase returns to growers, to encourage domestic consumption and to relieve human distress by distributing, for the use of the needy, food products which otherwise might be wasted. Products were distributed to the States for the use of certified eligible relief cases in addition to, rather than substitution for, other forms of relief.

Report on Activities

The report of the Federal Surplus Commodities Corporation follows in part:

Experience in handling special problems of rapid procurement and distribution has enabled the Corporation to deal effectively with perishable commodities and suddenly developed emergency conditions. Careful planning of operations and constant simplification of procedures and organization have overcome hampering technicalities and difficulties. The Corporation has functioned as a complete operating and administrative unit in procuring surplus commodities, arranging for their immediate transportation and distribution to the States on a car-lot basis or for their processing when necessary, and in providing for auditing, accounting, and paying expenses.

During the calendar year 1936, the facilities of the Federal Surplus Commodities Corporation have been utilized by the Agricultural Adjustment Administration in programs designed to remove price-depressing surpluses and improve returns to producers of 22 agricultural commodities produced in nearly every section of the country.

Benefits to Producers

Although the Corporation now is concerned with agricultural rather than relief problems, it continues to work closely with State agencies in procuring, handling, and storing local surpluses, furnishing State agencies with technical assistance in State procurement programs, and coordinating the activities of these agencies with those of the Federal Government. Twenty-two States have, during 1936, been assisted by the Corporation in programs for procurement of 26 commodities donated to the Corporation for distribution. During the year the Corporation has dealt with nearly 4,500

vendors, principally producers, associations of producers, and handlers.

The principal objective of surplus-removal programs involving purchases for relief use has been to carry benefits directly to producers. Various methods of procurement have been employed by the Corporation in order to obtain the most effective results. These methods include the practice of buying through invitations for competitive bids, making an open offer to purchase at a specific price, and purchasing on established commodity exchanges at quoted market prices.

In recent programs, for example, it has been found most effective for the purposes in view, to purchase butter and eggs on the produce exchanges; to purchase grapefruit and other fruits and vegetables at country shipping points, f. o. b. cars, buying from shippers at a specified price per unit with the requirement that the producer receive so much per unit; and to purchase certain miscellaneous products, such as sugarcane sirup, directly from producers. Dry skim milk and cheese have, on the other hand, been bought on the basis of competitive bids submitted in accordance with usual governmental practice. The nature of the commodity and the established marketing machinery, the competitive situation in the industry, the inventory position of handlers at a particular time, the extent of organization among producers, and other factors, all have been considered in determining the procedure of procurement to be followed.

Keep Costs Down

The procedure best adapted to a particular objective, such as the removal of price-depressing surpluses or the diversion of particular quantities or qualities of products, has been found less expensive to the Government when measured in terms of the total cost of the program, than were procedures based upon the traditional exclusive use of competitive bids.

Timeliness has been essential in many of these programs, as has reasonable promptness in making payments. In some instances it has been found much cheaper to prevent demoralization of a market by timely and substantial purchases, than to attempt improvement after a decline has occurred. Prompt payments have been necessary in order to avoid dissatisfaction among producers and handlers or even loss of confidence in the entire program.

Because of the highly perishable nature of most of the commodities obtained in connection with surplus removal programs, it has been necessary for the

products to move quickly, directly, and in carlots, from the point of procurement to the point of distribution. State relief agencies have had to take immediate possession of the commodities and distribute them to the needy and unemployed on relief rolls expeditiously. Methods have been developed to reduce inventory and spoilage losses to a minimum. During 1936, such losses have amounted to only six-tenths of 1 percent of the total quantity of commodities distributed.

Contacts With States

The Corporation keeps in constant contact with State relief organizations in order that their distributing facilities may keep pace with the Corporation's delivery of commodities. Information concerning inventories, methods, procedures, forms, costs, and facilities of distribution has been carefully assembled and analyzed, in order to assist the States in developing the most efficient, adaptable, and economical means of distributing the commodities donated. Through the dissemination and interchange of this information, the Corporation and the States cooperating closely together have been able to cut down distribution costs, increase the speed of distribution, and provide for more equitable disposal of the commodities.

All donations to the States have been made with the stipulation that the commodities donated should neither reenter commercial channels nor compete with that portion of the supply which remained in the normal flow of trade. In this connection, two fundamental distribution rules have been rigidly maintained: (1) That commodities should go only to persons certified by relief agencies as eligible for public aid; and (2) that the commodities should be given to individuals in addition to, rather than in substitution for, any other assistance available from Federal, State, or local sources. The States have cooperated closely with the Corporation in seeing that commodities reached only persons with minimum purchasing power and were not substituted for any part of the purchasing power of the recipient individuals as provided from other sources.

With the cooperation of the States, the Corporation, during the calendar year 1936, has distributed more than 896,000,000 pounds of foodstuffs, made available by the Corporation and from other sources, to approximately 2,150,000 families.

Factors in Distribution

Allocation of surplus commodities by the Corporation has been based not only upon the relative number of certified eligible relief cases in the States but, because of statutory requirements, upon several other factors as well. One such factor is the distance of the destination from the point of procurement. Furthermore, because of the agricultural problems involved, commodities procured in a surplus area have not been distributed in another geographical area in which the same commodities are grown. Since a primary purpose of distribution is to increase domestic consumption, wherever possible commodities have been allocated to areas in which they are not ordinarily used to a great extent, thus they have reached individuals comparatively unfamiliar with their use.

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CROP GROWERS BENEFIT

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in the States of Texas, Alabama, Georgia, Louisiana, and Mississippi. In these States it is estimated that 14,639 growers produced citrus fruit which during the 1935-36 marketing season had a farm value of \$4,143,000, and for the 1936-37 season the value of the citrus crop in these States is expected to be about \$9,900,000.

The marketing agreement program for watermelons grown in Florida, Georgia, South Carolina, and North Carolina is in its third year of operation. While definite figures are not available as to the number of growers producing watermelons in these States, it is estimated that the program has resulted in direct benefits for 10,000 producers. During the 1936 season, returns to these growers approximated \$3,600,000.

Over 900 growers are directly affected by the marketing agreement program for peas and cauliflower grown in Colorado. This program is entering its third year of operation. During 1936, peas and cauliflower sold under this program had a farm value of \$963,000.

Indirect benefits from the operation of the marketing agreement program for Colorado cauliflower and peas accrued to cauliflower growers in the Catskill and Long Island districts of New York State and to producers of peas in Idaho, where the crops produced in these areas enter the markets at about the same time as the products produced in Colorado.

A total of 1,333 growers are directly affected by the marketing agreement program in effect for cauliflower, lettuce, and peas grown in the State of Washington. This program is in its third year of operation, and during 1936 the products of these growers had a farm value of \$1,815,000.

Approximately 250 growers are affected by the marketing agreement program for Utah onions. This program is starting its first year of operation, and approximately \$200,000 worth of onions were produced in this marketing area last season.

Approximately 300 producers in 19 States are affected by the operations of the marketing agreement program for package bees and queens. During 1936, the volume of business done under this program amounted to \$320,500.

Under the marketing agreement program for Connecticut Valley shade-grown tobacco approximately 35 growers are affected. During the last year the value of the tobacco included under this program approximated \$6,240,000. This program has been in operation for the last 3 years.

The marketing agreement program for pears, plums, and Elberta peaches grown in California directly affects 21,600 farms growing these fruits. During the last marketing season the farm value of the three fruits under the program totaled \$12,804,000.

Indirect benefits from this marketing agreement program in California have accrued to growers of pears in Oregon, Washington, and New York and Michigan; growers of plums in Oregon, Washington, and Idaho; and growers of Elberta peaches in Colorado, Arkansas, Michigan, Indiana, and Illinois.

Under the marketing agreement program for walnuts grown in California,

Oregon, and Washington, approximately 29,800 growers have been directly affected by its operations. During the 1936-37 marketing season the value of walnuts included under this program totaled \$8,449,030.

While benefits from the operations of the marketing agreement program for walnuts have accrued to producers of this commodity, indirect benefits have come to growers of competing nuts, such as pecans and filberts, which are grown commercially by nearly 200,000 growers in half the States of the country. During last season the value of these two competing products approximated \$4,500,000.

Control Committee Members Named for Western Washington Program

Control committee members and their alternates, in charge of administering the marketing agreement and order for handlers of fresh lettuce, peas, and cauliflower grown in western Washington have been named to serve during the current year.

The members and their alternates, named by the Secretary of Agriculture from nominations submitted to him by the industry in accordance with provisions of the marketing agreement and order, are: E. K. Saito as member and K. Hanada as alternate, Kent district; F. H. Hogue, Jr., as member and R. J. Rogers as alternate, Kent district; Jobu Yasumura as member and Harry Kuramoto as alternate, Auburn district; T. Sakahara as member and J. Yoshioka as alternate, Sumner district; L. Pickering as member and Lee Foster as alternate, Grays Harbor district; John Zanassi as member and H. Fleming as alternate, Seattle district; Henry Aries as member and T. Matsunaka as alternate, Lake district; J. A. Oliver as member and George Berlin as alternate for representative at large; R. E. Wooden as member and C. R. Walters as alternate for representative at large; and Ed Orton as member and Ray Sonneman as alternate for representative at large.

While the marketing agreement and order provide for 11 members to constitute the control committee, only 10 were named. No member was named for the north district, as peas cannot be grown there this year because of the quarantine order imposed by the State department of agriculture. Carl Nelson of Marysville, a member of last season's control committee, and Garvik Olsen, of East Stanwood, alternate, will continue to serve until their successors are named.

TEXAS TOMATO STUDY

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the latter part of March, and because of the brief time remaining before the shipping season opened, it was impossible to complete the various steps necessary before the program could be put into operation. The study, in addition to being helpful in supplying market information to the industry this season, is expected to provide growers and shippers with a more complete picture of their industry so that an early start may be made toward the development of a marketing agreement program for next season if the industry so desires.

CORPORATION REPORT

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Because supplies of surplus commodities were on hand and distribution machinery was available, State relief agencies were in a good strategic position for quick action in assisting victims of local or widespread disasters during 1936. The Corporation has encouraged and assisted the States in this work by prompt special allocations of available commodities, rush shipments of food-stuffs from States outside the emergency area, and, in disasters covering large areas, by coordinating the distribution activities of the State relief agencies involved.

Emergency Aid

Into flooded areas of the Northeast, the Corporation shipped in the spring of 1936 more than 2,300,000 pounds of butter, flour, dried beans, rolled oats, and prunes, and nearly 350,000 dozen eggs to supplement relief supplies already on hand.

In the South, the State distribution systems were of assistance following a destructive tornado. One locality in Georgia reported that through the regular facilities of the State distribution system, food was available to those in need less than an hour after the tornado had passed.

During the summer of 1936, the Corporation shipped into large sections of the Middle West and South suffering most severely from the drought, more than 55,000,000 pounds of flour, dried peas, fresh peas, prunes, dried peaches, fresh pears, canned beef, dry skim milk, and fresh vegetables. More than 21,000,000 pounds of millfeed for animals were distributed to States in these areas and other States deficient in feed supplies.

The Corporation also played an important part in the drought cattle purchase program of 1936 inaugurated by the Agricultural Adjustment Administration to prevent demoralization of cattle prices by heavy market receipts due to water and feed shortage in the drought area, and to preserve foundation herds. It was necessary to purchase only 3,663 head in order to support the market and maintain returns to producers. The meat from these animals procured was dressed, donated to the Corporation, and subsequently distributed as fresh meat through State relief agencies. The Corporation also assisted State agencies in moving cattle and sheep from certain drought sections to areas where pasture was available.

The Corporation cooperated in 1936 with the Farm Credit Administration, the Central Bank for Cooperatives, and the Farmers National Grain Corporation in an agreement for financing and procurement of grains suitable for seed, to be resold to farmers at cost in the drought area in anticipation of a shortage of high grade seed grain for the 1937 planting season. Savings through reduced freight rates obtained from co-operating railroads, and through the prevention of speculative profits will be passed on to the consumer. At the close of 1936, there had been so procured under the direction of the Corporation 1,522,380 bushels of spring wheat; 364,841 bushels of durum wheat; 986,437 bushels of oats; 16,696 bushels of malted barley; 358,493 bushels of feed barley; and 246,402 bushels of flax.